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CLIENT INFLUENCE ON VALUATIONS IN NIGERIA

OGUNBA, Olusegun Adebayo (PhD Estate Management)

Department of Estate Management, Obafemi Awolowo Universitry, Ile-Ife

Email: Segogunba@yahoo.co.uk

GSM:08034014739

and

IROHAM, Osmond Chukwuemeka (M.Sc Estate Management)

Department of Estate Management, Covenant University, Sango-Ota

ABSTRACT

Against the background of reports of client influence on valuations in Nigeria from bank managers (who allege deliberate inflation of mortgage valuation estimates), and from taxation officers (who allege deflation of valuation estimates so as to reduce tax), this paper examined the nature of client influence on the valuer in Nigeria and on his value estimates. The research involved the distribution of 95, 54 and 25 questionnaires backed up with interviews to valuation firms and their clients (property development/property investmentportfolios managers and banks) respectively. Data was measured by means of Likert scales and analysed using weighted average frequency distributions and the kruskal-wallis test on non-parametric data. It was discovered that clients do influence valuations and most of the influence comes from individual clients for mortgage and sale valuations. The influence normally takes the form of 6-15% upward adjustments of valuations for mortgage valuations or 1-5% increases for sale valuations. The influence is most often felt at the report production stage of the valuation process. The study suggests that the increasing spate of client influence must be controlled by means of a carrot and stick strategy (stronger professional disciplinary enforcements combined with rewards for evident cases of resistance to client influence) and through psychological/moral fortifications of valuers at formative stages.